South Carolina Board of Economic Advisors
Statement of Estimated State Revenue Impact (Section 2-7-71)

Date: **April 21, 2008** **Bill Number:** H.4815 (as amended by W&M on 4/16/08)

Authors: Harrell, Merrill, Thompson, *et. al.* **Committee Requesting Impact:** Ways and Means

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Chapter 64 to Title 12 so as to enact the "South Carolina Motion Picture Incentive Act of 2008", revising and updating tax incentives for motion picture productions in this state by adding and modernizing definitions, making technical corrections, eliminating the rebate of state and local sales taxes provided under former law, providing for the carry forward of rebate funds to avoid multiple applications, clarifying the wage incentive and resident hiring bonus, establishing a five-year apprenticeship program, increasing the number of days state property may be used without fee from seven to ten days, and providing additional requirements for film credits for this state; and to repeal Chapter 62 of Title 12 relating to the South Carolina Motion Picture Incentive Act.

REVENUE IMPACT[1/]

This bill would increase General Fund sales and use tax revenue by $718,080. General Fund income tax revenue would be decreased by $542,577 and General Fund admissions tax revenue would decreased by $500,000 in FY 2008-09. Accounting for all these revenue impacts, net General Fund revenue would be decreased by a total of $324,497 in FY 2008-09. Additionally, sales tax revenue allocated to the EIA Fund and the Homestead Exemption Fund would increase by $179,520, respectively and accommodations tax revenue allocated to local governments would increase by $44,500 in FY 2008-09.

Explanation

This bill transfers the Film Commission from the Department of Commerce to the Department of Parks, Recreation and Tourism. This bill also repeals the current Motion Picture Incentive Act, which would eliminate the current sales and use tax exemption for motion picture production expenditures in South Carolina for companies that spend over $250,000 in a year. Based on the nine projects that were granted payroll and expenditure rebates in FY 2006-07, we expect that motion picture production companies will spend $33,000,000 in South Carolina in FY 2008-09. Of these expenditures, we expect that 20% of these purchases are for other labor services and 32% of the remaining purchases are for non-taxable items. The estimated $17,952,000 taxed at 6% would increase sales tax revenue by $1,077,120 in FY 2008-09. Of this total, $718,080 would be an increase in General Fund sales tax revenue, $179,520 would be an increase in EIA Fund revenue, and $179,520 would be an increase in the Homestead Exemption Fund revenue. The repeal of the current Motion Picture Incentive Act would also eliminate the 2% accommodations tax exemption granted to motion picture production companies for expenditures on hotels and other housing rentals. Imposing the 2% tax on these expenditures would increase accommodations tax revenue allocated to local governments by $44,500 in FY 2008-09. The current payroll rebates, up to 20% of South Carolina payroll if production costs exceed $1 million a year, would be continued, and the bill would further allow up to an additional 10% rebate for all wages paid to South Carolina residents who are paid a minimum of $18 an hour. The current 20% wage rebates totaled $8,377,757 in FY 2006-07 based on total qualifying wages of $44,412,624. South Carolina residents accounted for $8,138,648 of these wages. We expect that two-thirds of these wages were for South Carolina residents paid a minimum of $18 per hour. The resulting $542,577 in enhanced wage rebates for higher paid South Carolina residents would result in a corresponding $542,577 reduction in General Fund income tax revenue in FY 2008-09. Admissions tax allocations to the Department of Parks, Recreation and Tourism will increase by 2%, to 28% in total, to fund collaborative production and education efforts with higher education institutions and to fund a trainee wage reimbursement program. This would reduce General Fund admissions tax revenue by $500,000 in FY 2008-09. In summary, this bill would increase General Fund sales and use tax revenue by $718,080. General Fund income tax revenue would be decreased by $542,577 and General Fund admissions tax revenue would decreased by $500,000 in FY 2008-09. Accounting for all these revenue impacts, net General Fund revenue would be decreased by a total of $324,497 in FY 2008-09. Additionally, sales tax revenue allocated to the EIA Fund and the Homestead Exemption Fund would increase by $179,520, respectively and accommodations tax revenue allocated to local governments would increase by $44,500 in FY 2008-09.

<u>/S/WILLIAM C. GILLESPIE</u>
William C. Gillespie, Ph.D.
Chief Economist

Analyst: Shuford

[1/] This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact, or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.